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Agenda items 116 and 120

Review of the efficiency of the administrative and financial functioning of the United Nations

Administrative and budgetary coordination of the United Nations with the specialized agencies and the International Atomic Energy Agency

First report: activities of the Advisory Committee on Administrative and Budgetary Questions during the fifty-fourth session of the General Assembly

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The major functions of the Advisory Committee on Administrative and Budgetary Questions, as defined by the General Assembly in its resolution 14 (I) of 13 February 1946, are:

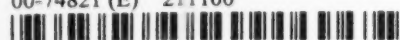
(a) To examine and report on the budget submitted by the Secretary-General to the General Assembly;

(b) To advise the General Assembly concerning any administrative and budgetary matters referred to it;

(c) To examine on behalf of the General Assembly the administrative budgets of the specialized agencies and proposals for financial arrangements with such agencies;

(d) To consider and report to the General Assembly on the auditors' reports on the accounts of the United Nations and of the specialized agencies.

2. In accordance with the provisions of General Assembly resolution 14 (I), examination of the budget by the Advisory Committee includes not only the regular assessed budget but also extrabudgetary expenditures, as well as the financing of the various peacekeeping operations, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. Pursuant to rule 157 of the rules of procedure of the General Assembly, the Committee shall perform such other duties as may be assigned to it under the Financial Regulations of the United Nations. In addition, with regard to programmes financed by voluntary funds, the Committee reports on administrative budgets and other matters to the governing bodies of the United Nations Development Programme, the United Nations Children's Fund, the United Nations Population Fund, the Office of the United Nations High Commissioner for Refugees (UNHCR) (voluntary funds), the United Nations Environment Programme (Environment Fund), the United Nations Habitat and Human Settlements Foundation, the United Nations Institute for



Disarmament Research, the United Nations Institute for Training and Research, the United Nations University, the World Food Programme (WFP), the United Nations International Drug Control Programme (UNDCP) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

3. Under rule 156 of the rules of procedure of the General Assembly, the members of the Advisory Committee, no two of whom shall be nationals of the same State, shall be selected on the basis of broad geographical representation, personal qualifications and experience.

4. During the reporting period, the members of the Advisory Committee were:

C. S. M. Mselle (Chairman)
E. Besley Maycock (Vice-Chairman)
Norma Goicochea Estenoz
Ioan Barac
Mahamane Maiga
Giovanni Luigi Valenza
Gerard Biraud
Hasan Jawarneh
Nazareth Incera
Ahmad Kamal
Rajat Saha
Nicholas Thorne
Vladimir V. Kuznetsov
Susan McLurg
Roger Tchoungui
Juichi Takahara

5. During the fifty-fourth session of the General Assembly, the meetings of the Advisory Committee were organized into three sessions, held in New York: from 7 September to 17 December 1999; from 1 February to 31 March 2000; and from 2 to 22 May 2000. The Committee also met in Paris from 29 to 31 May, in Geneva from 1 to 9 June, in Rome from 12 to 14 June, in Turin on 15 June, in Brindisi on 16 June, in Pristina from 16 to 20 June and in Vienna from 21 to 23 June 2000. The present report discusses in general terms the matters that were before the Committee at those locations.

6. Under the terms of General Assembly resolutions 49/233 A of 23 December 1994 on peacekeeping operations and 52/223 of 22 December 1997 on unforeseen and extraordinary expenses, in accordance with existing procedures, the Advisory Committee replied to various requests of the Secretary-General by

letter during the fifty-fourth session of the Assembly. In most cases, the Committee authorized the Secretary-General to enter into commitments in respect of financing of various peacekeeping operations. A list and summary of the Committee's letters to the Secretary-General is contained in the annex to the present report.

II. Meetings held in New York

7. During its sessions in New York, the Advisory Committee considered a number of reports related to the United Nations regular budget, United Nations peacekeeping operations and other administrative and budgetary matters of the United Nations and of its funds and programmes. In the course of its consideration of the reports, the Committee met with representatives of the Secretary-General and of the executive heads of funds and programmes. The reports of the Committee are listed in the annex to the present report.

III. Meetings held away from Headquarters

8. On 29 May 2000, the Advisory Committee met with representatives of the United Nations Educational, Scientific and Cultural Organization (UNESCO) at UNESCO headquarters in Paris. Discussions centred principally on results-based budgeting and the reform process within UNESCO, as well as technologies being put into place to implement it, including progress in the development of the System of Information on Strategies, Tasks and Evaluation of Results, an Internet-based management system, which is expected to be fully operational by 2001.

9. On 30 May 2000, the Advisory Committee attended, as observers, meetings of the Organisation for Economic Cooperation and Development (OECD) Working Party of Senior Budget Officials and the OECD Budget Committee, at OECD headquarters in Paris. On 31 May, the Committee met with representatives of OECD to discuss the experience of OECD in the reform of its programme of work and budget.

10. The Advisory Committee met in Geneva from 2 to 9 June 2000. Discussions with representatives of the United Nations Office at Geneva on 2 and 8 June

focused on issues related to conference services, information technology and coordination for common services. In connection with the latter, while in Geneva, the Advisory Committee visited the library, the print shop and the International Computing Centre. On 2 June, the Advisory Committee exchanged views with the Inspectors of the Joint Inspection Unit on matters of mutual interest and discussed the programme of work of the Unit for 2000, which it had before it (A/54/960, annex).

11. At the joint meetings held with representatives of the World Health Organization (WHO), the International Labour Organization (ILO) and the World Intellectual Property Organization (WIPO) on 5 and 6 June 2000, discussions centred on efforts by those agencies towards administrative reform and their experience thus far in implementing results-based budgeting, as well as on coordination for common services, such as printing and library services.

12. At the meeting held with the Assistant High Commissioner and other representatives of UNHCR on 7 June 2000, the inherent difficulties involved in inter-agency coordination in the field and at the headquarters level were touched upon, and the need for standby arrangements with other agencies, both governmental and non-governmental, was emphasized by the representatives of UNHCR. The introduction, in 1999, of the unified annual programme budget at UNHCR, which had been recommended by the Advisory Committee in 1998, was also discussed. On 8 June, the Advisory Committee was briefed by the Deputy High Commissioner and other senior officials of the Office of the United Nations High Commissioner for Human Rights on the administrative and budgetary situation of the Office, as well as reform efforts.

13. From 12 to 14 June 2000, the Advisory Committee met in Rome with representatives of the World Food Programme (WFP), the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD). In the course of the meetings, several key issues were discussed, among them inter-agency coordination in the field for peacekeeping and humanitarian operations, security of staff in the field, delegation of authority and decentralization to the field, improved measures for emergency response, difficulties encountered in raising funds for development operations, reform and experience with "results-based-type" techniques and coordination for

common services. The Committee will comment in detail and make recommendations on subjects discussed with the various organizational units in Rome in its reports to be submitted to governing bodies in late 2000 and to the General Assembly at its fifty-fifth session.

14. On 15 June 2000, the Advisory Committee visited the ILO International Training Centre and the United Nations Staff College in Turin, Italy, where it met with the Executive Director of the International Labour Office and Director of the Centre, as well as with the Director of the Staff College and other officials. The Committee was briefed on the training activities of both the Centre and the College, as well as present funding arrangements.

15. On 16 June 2000, the Advisory Committee visited the United Nations Logistics Base at Brindisi, where it met with the Chief Administrative Officer and other officials. Discussions centred principally on the use of the Base for procurement on behalf of peacekeeping missions, the capacity of the Base for training, refurbishment of equipment for use in peacekeeping missions, disposition of unusable equipment, composition of mission start-up kits and participation of WFP in the Base.

16. From 17 to 20 June 2000, the Advisory Committee met in Kosovo with the Special Representative of the Secretary-General and other officials from the various pillars of the United Nations Interim Administration Mission in Kosovo (UNMIK), as well as with officials of the Kosovo Force (KFOR), the Organization for Security and Cooperation in Europe (OSCE), the International Tribunal for the Former Yugoslavia and local leaders. At the meetings, the Committee discussed a wide range of issues relating to the situation in Kosovo, including civil administration, reconstruction, democratization and institution building, the rule of law, humanitarian affairs and judicial affairs. The Committee also made field visits to Mitrovica, the municipality of Lipljan, a civilian registration site, a prison and a temporary shelter. Other important issues covered included the relationship between the UNMIK budget and the Kosovo consolidated budget and the coordination of United Nations agencies in Kosovo. The comments and recommendations of the Advisory Committee will be submitted to the General Assembly at its fifty-fifth session in the context of the Committee's report on the financing of UNMIK.

17. Prior to its visit to Kosovo, the Advisory Committee met on 23 May 2000 in New York with the Emergency Relief Coordinator and other representatives of the Office for the Coordination of Humanitarian Affairs. The Committee was briefed on overall coordination arrangements, as well as on mechanisms and support structures used by the Office for inter-agency coordination of the United Nations response to complex, longer-term emergencies, such as those in East Timor and Kosovo. On 24 May, the Committee was briefed by representatives of the United Nations Volunteers (UNV) on UNV activity in Kosovo.

18. On 21 and 22 June 2000, the Advisory Committee met in Vienna with the Director of Administrative and Common Services of the United Nations Office at Vienna and other officials of the Office, as well as representatives of the United Nations Office for Drug Control and Crime Prevention, the Office for Outer Space Affairs, the United Nations Industrial Development Organization (UNIDO) and the International Atomic Energy Agency (IAEA).

19. During the meetings with representatives of the United Nations Office at Vienna, the Advisory Committee discussed and was provided with information on a number of issues, such as conference-servicing, including remote translation and interpretation, delegation of authority, common services, asbestos at the Vienna International Centre and the lack of office/meeting space at the Centre. The meetings with the United Nations Office for Drug Control and Crime Prevention, UNIDO and IAEA focused on reform and common services issues.

IV. Observations and conclusions

Administrative and budgetary reform

20. The experience of the Advisory Committee during its meetings held away from Headquarters has demonstrated that the reforms that were witnessed during its 1998 meetings with the specialized agencies and IAEA are continuing and have intensified. There is now greater emphasis on planning for results and personnel management reform. In an environment of scarce resources, greater focus is being made on priority setting and a better definition of objectives, as well as on performance monitoring and evaluation. In

this connection, the Committee notes that, except for WIPO, there has been hardly any real increase in the budgets of the agencies. Of particular note is the dramatic decrease in resources devoted to development, including those managed by the United Nations Development Programme (UNDP). On the other hand, there has been an increase in resources for emergency and humanitarian operations.

21. The planning and budgeting processes in some of the agencies are being reformed extensively (see also paras. 29 and 30 below). The Advisory Committee notes the progress in this regard, but cautions that care should be taken to ensure that such reforms do not bring with them new rigidities or a lack of transparency to member States, or make the processes more expensive. The Committee was informed that in IAEA the mechanisms for early involvement of member States in the planning and budgeting processes had been refined. An initial planning document will be submitted to the Programme and Budget Committee in January and subsequently to the Board of Governors for approval in off-budget years. The Board will be asked to agree on the planning parameters of the programme and budget. This would be followed by a series of programme review meetings with member States to review each of the substantive areas identified in the medium-term strategy. Member States will be required to express their views, provide guidance to the Secretariat and agree on priorities for the next programme and budget cycle. At the final stage, the programme and budget will be submitted to the Programme and Budget Committee and subsequently to the June session of the Board of Governors and thereafter to the General Conference for approval. This appears to be a cumbersome process, and the Committee recommends that it be considered for streamlining. The initial planning process and document, for example, could be combined with the programme review process.

22. Many of the agencies reported difficulties in establishing performance measurement standards. The Advisory Committee is of the view that, unless such standards are carefully identified and realistically set, reforms could lead to confusion, excessive reporting and high cost. The Committee will comment in detail on this issue in the context of its review of the report of the Secretary-General on results-based budgeting (A/54/456 and Add.1-5).

23. The effect of extensive budgetary constraints on a number of agencies has led to a search for efficiencies and reductions in support services. The Advisory Committee cautions, in this connection, that there is a limit to which support services can be reduced without negatively impacting on programme implementation. Furthermore, in some cases, a reduction in support services may lead to the necessity for greater expenditure in the future. Prime examples of this are the constant reductions in spending for buildings maintenance at United Nations Headquarters and UNESCO, with the result that the cost of asset rehabilitation is now almost prohibitive. The Committee was informed that the cost of rehabilitation of UNESCO headquarters would be more than \$400 million. For United Nations Headquarters, it would be over \$1 billion.

24. There is now greater emphasis on giving flexibility to programme managers. The Advisory Committee considers that flexibility should not compromise the need for accountability. Such flexibility was taken too far in UNESCO recruitment procedures, for example, where, according to the administrative manual, the Director-General or programme manager to whom authority is delegated may decide not to advertise a vacancy if and when "it was found necessary for reasons of service". The Committee was informed that, as a result, 37 per cent of all recruitment at UNESCO in 1998-1999 did not follow normal recruitment procedures. The General Conference has now directed that all posts must be advertised for three months.

25. The implementation of plans and the realization of objectives and expected results are often rendered more difficult because of less than full receipt of assessed and voluntary contributions. For example, UNIDO cited problems of chronic non-collection of assessed contributions, and IAEA alluded to the great uncertainties which surround the receipt, timing and amount of extrabudgetary funding.

26. The Advisory Committee also emphasizes the need for agencies to collaborate and learn from each other in the reform process. A first step in this regard should be the harmonization of terminologies relating to planning, budgeting and human resources reform. The Committee notes that in the "Report of the Joint Inspection Unit on results-based budgeting: the experience of United Nations system organizations", the Joint Inspection Unit stressed that "the lack of

agreement among the organizations of the system on definitions for the key [results-based budgeting] terms suggests that this is an area of [results-based budgeting] development that still requires further consideration in a systematic manner" (A/54/287, para. 31). In this connection, the Committee recalls its statement in paragraph 69 of its first report on its activities during the fifty-second session of the General Assembly (A/53/7) that the terminology that had been introduced thus far may add to the difficulties of understanding what is being reformed and what is meant by results-based budgeting in the United Nations system.

27. Similarly, there is a need to share lessons learned and experiences in the development of management information systems for the implementation, monitoring, evaluation and reporting on programmes and other operations. The lack of coordination in this area had been identified by the Advisory Committee, in its 1998 report, as a weakness (*ibid.*, para. 71). It can lead, among other things, to potentially costly duplicate systems. The Committee is concerned that the systems supporting early warning activities in FAO and WFP, the Food Insecurity and Vulnerability Information Mapping System and the Vulnerability Analysis and Mapping system, may be examples of such duplication. In addition, there is evidence that systems are developed and then abandoned or considerably modified, demonstrating inadequate identification of needs prior to system design and implementation. There is also evidence of underestimation of related costs and unrealistic investment in information technology; this ultimately leads to more expenditure when attempts are made to correct mistakes. An example of this is the Monitoring, Evaluation and Reporting System, which ILO has ceased to use for administrative purposes, as it was found to lack the requisite flexibility.

28. Devolution of responsibility and greater movement of staff from headquarters to the field are being pursued with vigour by several of the agencies. The Advisory Committee welcomes the trend and points out that, for delegation of authority to succeed and be effective, it must be accompanied by central capacity to monitor field performance, using new technologies to avoid excessive paper reporting and the attendant bureaucracy. The field offices must also be provided with the new equipment and technologies, as well as qualified staff to carry out the new assignments.